

Message Text

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PAGE 01 CAIRO 02698 011416Z

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ACTION NEA-10

INFO OCT-01 ISO-00 NEAE-00 SS-15 SAM-01 SP-02 INR-07 NSC-05

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P 011214Z MAR 76

FM AMEMBASSY CAIRO

TO SECSTATE WASHDC PRIORITY 543

INFO DEPARTMENT OF TREASURY

AMEMBASSY ABU DHABI

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TREASURY FOR SECRETARY SIMON'S PARTY

E.O. 11652: NA

TAGS: USEGJC, EAID, EGEN, IMF

SUBJECT: ASSISTANCE TO EGYPT: IMF

REF: CAIRO 2670

1. EMBASSY HAS RECEIVED IMPRESSION THAT DOCUMENT ON EGYPTIAN ECONOMIC CORRECTIVE MEASURES PRESENTED TO UNDER SECRETARY ROBINSON ON FEBRUARY 27 (REFTEL) WAS INTENDED FOR IMF DELEGATION CURRENTLY IN CAIRO. STEPS DETAILED IN PAPER COVERED IN LARGE MEASURE REQUIREMENTS LAID DOWN BY IMF FOR VARIOUS FORMS OF FINANCIAL ASSISTANCE DISCUSSED WITH GOE IN 1975. (OIL FACILITY, COMPENSATORY FINANCING, STANDBY AGREEMENT). PAPER WAS NOT, HOWEVER, HANDED OVER OR EVEN DISCUSSED AT FEBRUARY 28 MEETING BETWEEN GUNTHER AND SHAFEI, ET AL.

2. IN SUBSEQUENT MEETING WITH EMBOFFS, PAUL DICKIE WAS GIVEN OPPORTUNITY TO EXAMINE PAPER (WITH CAVEAT THAT SOURCE NOT BE MENTIONED) TO DETERMINE HIS REACTION, AND EVALUATE EXTENT TO WHICH IMF REQUIREMENTS WERE BEING MET.

3. DICKIE SAID THAT OVERALL VAGUENESS OF PAPER, AND HALF-
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PAGE 02 CAIRO 02698 011416Z

WAY MEASURES IT DETAILED, MADE IT UNLIKELY THAT IT WOULD BE CONSIDERED AS RESPONSIVE TO FUND'S EARLIER DEMANDS. THIS

WAS PARTICULARLY TRUE WITH ESPECT TO EXTENDED FACILITY (WHICH WAS MENTIONED SEVERAL TIMES TO UNDER SECRETARY ROBINSON AS SOMETHING GOE WAS ANTICIPATING RECEIVING IN NEAR TERM) SINCE EXTENDED FACILITY IS BASED ON AN INTENSIVE AND EXTENSIVE ECONOMIC PLAN TO CORRECT BASIC IMBALANCES RATHER THAN RELATIVELY SHORT-TERM MINOR PALLIATIVES.

4. IN CASE OF OTHER POSSIBLE FORMS OF IMF ASSISTANCE, DICKIE SAID THAT REMAINING \$10 MILLION FROM OIL FACILITY (\$20 MILLION PLUS HAVE ALREADY BEEN PROVIDED EARLIER THIS YEAR) MIGHT STILL BE AVAILABLE, BUT OTHERS ARE LESS LIKELY; (-) FUND HAS AGREED TO COMPENSATORY FINANCING ON BASIS THAT IF STILL UNCOMPLETED FORECAST REVEALS IT IS NOT JUSTIFIED, IMMEDIATE REPAYMENT WILL BE REQUIRED. GOE (SHAFEI) THEREFORE DECIDED NOT TO PUSH FOR IT. (B) STANDBY WILL REQUIRE MORE STRINGENT STEPS THAN THOSE TAKEN.

5. COMMENT: EMBOFFS RECEIVED CLEAR IMPRESSION THAT FUND IS NOT VERY SANGUINE OVER PRESENT AND IMMEDIATE FUTURE PROSPECTS OF EGYPTIAN ECONOMY. GIVEN GOE'S UNWILLINGNESS/INABILITY TO COMPLY WITH REQUIREMENTS, IMF WILL PROBABLY NOT BE ABLE TO DO MUCH TO HELP.
EILTS

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